



**WORLD WIDE
AND
NATIONAL FARM WATCH**

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Farm Net Cash Income Rise To Continue

USDA economists expect net cash farm income to continue to achieve record highs. In the monthly Outlook report, government analysts predicted net cash farm income could reach \$50 billion next year, up from this year's \$44 billion. Big government payments are the major impetus for the upward surge although other factors include increased livestock receipts, a 3 percent drop in farm production expenses and increased export sales.

Agency analysts believe foreign demand for U.S. farm products will grow 2 to 3 percent a year for the rest of the decade. They base their optimism on expanding incomes, declining inflation, lower interest rates and world population growth. In all, the volume of U.S. farm exports could rise as much as 5 percent a year because of price competitiveness fostered by the 1985 farm act.

FB, a major player in the '85 farm bill debate, is still recognized for its continuing role in shaping American and world farm trade patterns. In a national wire service article yesterday reviewing agricultural events of the past year, the '85 farm act was credited for increasing export volume. "In October, after the new farm law was firmly in place, export volume was 14 percent higher than one year earlier. (Because export value did not rise accordingly,) critics quickly called for changes in the farm law. But the nation's largest farm organization... the

American Farm Bureau Federation... and Agriculture Secretary Richard Lyng said the law needed a longer test."

FB members across the country have examined and discussed the current farm program as part of our policy development process. The national resolutions committee recently concluded their deliberations of measures submitted from state FBs and have recommended some measures designed to fine tune the '85 act. still, the general consensus continues to be that the Act aims to improve exports, reduce excess stocks and, at the same time, protect farmers' incomes— the three original goals sought by the nation's largest farm organization.

**It's Not The Money,
It's The Principle**

The nation's Animal and Plant Health Inspection Service reports port inspectors collected more than \$27,000 in civil penalties from 940 international travelers caught smuggling potentially hazardous agricultural products into the country in October. In addition, the successful completion of 15 cases resulted in total fines of \$9,750 against businesses and individuals.

**Government Wants To Stop
Overpaying For Overproduction**

Budget Director William Miller said the Reagan administration is considering a 1988 budget that would slash farm commodity payments to \$15 billion, a reduction of more than \$10 billion from last year's spending. The president will be urged to base payments on historic, rather than current, crop production in order to remove an incentive to overproduce. Miller added the administration is reviewing proposals to target

assistance to needy farmers and reduce the number of \$100,000-plus payments.

According to the report in the "Des Moines Register" yesterday, roughly \$13 billion of last year's \$25.6 billion commodity payments went directly to major-crop farmers in cash or grain certificates. The rest includes price-support loans, government dairy purchases, storage payments, export subsidies and other programs.

Lyng Warns Against Dairy Expansion

U.S. Ag Secretary Richard Lyng warned dairy farmers against planning for expansion "for whatever reason" Lyng said he does not favor another dairy herd buyout program and he is strongly opposed to a quota allotment system. Speaking at a commodity convention in Las Vegas, Lyng said, "We are getting our supply-demand in better balance... if

larger imbalance occurs, support price levels will go down on Jan. 1, 1988. That can be avoided," he added.

Lyng said indications are that the dairy surplus could be less than 5 billion pounds in 1988. If this happens, the reductions of 50 cents pe cwt. in the support scheduled for 1988 will not take place.

Poultry Profits Molting

For a while there, poultry was seen as one of the few bright spots in agriculture this past year. The light is dimming a bit, said Hugh Johnson, AFBF poultry specialist. "Egg prices have dipped as much as a nickel a dozen since Thanksgiving. Broiler prices have taken a tumble and tom turkey

prices dropped 20 cents or more (per pound) in the past month." Johnson said some of the weakness is typically seasonal and, in the case egg producers, flock size is under control and inventory is in good shape. One analyst estimates egg producers are still making about 11 cents a dozen.

Fewer Employed In Export-Related Jobs

Over the last five years, agricultural export-related jobs fell by about one-third, from 1.2 million workers down to 830,000 now. However, each dollar worth of exports generates 50 percent

more revenue than it did in 1980. Now, each dollar generates \$1.50 in economic activity, compared to \$1.05 in 1980, according to a report from USDA's Economic Research Service.

**Farm Credit
May Tighten**

Farm Credit Administration staff recommended restricting the accounting flexibility Congress granted to Farm Credit System banks, according to a report in today's "Wall Street Journal." The Congressional amendments to FCS law allow system banks to stretch out loan losses and certain interest rate costs over 20 years instead of the previous more immediate write off. FCA staffers want more stringent regulatory accounting practices and they want any relaxation to be contingent upon the banks' accepting the Farm Credit System Capital Corp.'s money sharing plan requiring stronger system banks to assist weaker ones.

FCA Chairman Frank Naylor said the board will put off a final decision on the recommendation until next week.

Control Own Destiny

Editor Richard Krumme of Successful Farming magazine told 72 busloads of farmers attending a two-day conference - Adapt 100 - sponsored by the Meredith Corporation in Des Moines, that farmers hold the key to their own survival at a time when control of the land is "slipping away to lenders and the government." Krumme said the meeting was the only gathering of farmers on recent years to focus on opportunities in agriculture rather than on the problems. Speakers, most of them farmers, shared their own innovative ideas for diversifying their farm enterprises to improve their incomes.

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